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Small Business PCS Association

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June 18, 1994

Discussed with
 Commissioner Chong
 Dan Mago
 Greg Koster
 Jonathan Cohen
 Roz Allen

The Honorable Rachelle Chong
 Federal Communications Commission
 1919 M Street NW, Room 844
 Washington, DC 20554

RE: PP Docket No. 93-253

Dear Commissioner Chong:

I am writing on behalf of the Small Business PCS (SBPCS) Association in response to recent informal proposals by the FCC in connection with "Entrepreneur Frequency Blocks" for Designated Entities in Broadband PCS. The SBPCS Association is the largest trade association dedicated exclusively to PCS and is composed of 55 small, minority and women-owned businesses that plan to acquire Broadband PCS licenses in the upcoming auctions.

I believe that the recent informal proposals by the FCC in connection with Entrepreneur Blocks are very inventive and constructive. Our understanding of the proposals and recommended adjustments are presented below.

ProposalSBPCS Recommendation

- | | |
|---|---|
| 1. Establish Blocks C and F exclusively as Entrepreneur Blocks | Agree. |
| 2. Set \$100 million as upper revenue limit for bidders on Entrepreneur Blocks | Set \$40 million as upper revenue limit, use access lines for rural telcos. (Otherwise these Blocks become a set aside for Nextel and existing medium sized SMRs, CAPs, IXCs, Paging, Cellular, and Telephone Companies. List is attached.) |
| 3. Allow passive investment up to 80% of equity with 50.1% of voting control with Designated Entity | Agree. |
| 4. Women and Minority controlled companies can obtain entire passive investment from one source. Other SWMRs may obtain no more than 20% from one source. | Allow SWMRs to obtain up to 40% of their passive investment from one source. Women and Minority controlled companies get a 20% bidding credit. |
| 5. Provide financing of 80 percent of the auction price to entities with less than \$40 million in revenue. | Agree. |

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At SBPCS our two major areas of concern related to the FCC proposal are (1) the high revenue limit and (2) allowing a single major company to own 80% of a minority or women owned company.

The revenue limit of \$100 million allows most existing SMRs, CAPs, IXC's, Paging, Cellular, and Telephone Companies to bid on the Entrepreneur Blocks. A list of some of the major companies that would qualify is attached. For example, Nextel, Dial Page, General Communications, Illinois Consolidated Telephone Co., MFS, US Cable and others would qualify. This was not what Congress intended when it mandated the FCC to provide for broad participation by small, minority, and woman-owned businesses. A revenue limit of \$40 million, as recommended by the SBA, would go a long way toward directing the Entrepreneur Bands toward their intended users.

Allowing virtually any US company to own 80% in a women or minority-owned company invites major problems. Even if the minority group has control it will be hard to ignore the "500 pound gorilla partner." The problem gets even worse if the 80% owner is allowed to have a management contract for operation of the system. This situation will breed sham operations, controlled by the existing major telecommunications companies, with minority participation limited to receiving dividend checks and eventually selling to the 80% owner.

The preferred approach is to limit any one large investor to no more than 40% company ownership in all companies controlled by designated entities. This makes it easier for all of us to arrange financing and makes sure that ownership is spread adequately to minimize the opportunity for de facto control by a single large corporation.

Our member companies who are minority and women-owned strongly prefer a bidding credit to an increased large company financing limit and SBPCS Association recommends this approach. This gives this group an extra break in bidding against other small businesses and Rural Telcos.

It has been a pleasure discussing these issues with you and we look forward to the era of Broadband PCS.

Sincerely,



Robert H. Kyle
Chairman

Attachment

Partial List of Telecommunications Companies from \$40 to \$100 million in Revenue

<u>Company</u>	<u>Sales (000's)</u>	<u>Description</u>
AOC Corp.	81,680	Cellular and Long Dist. Service
American Paging, Inc.	75,362	Paging Services
Annex, Inc.	46,500	Long Dist. Service
Arch Communications Group, Inc.	45,308	Paging Services
Associated Communications Corp.	55,633	Cellular Services
Atlantic Tele Network, Inc.	103,683	
Avid Technology, Inc.	51,940	
Bet Holdings, Inc.	74,218	Cable TV and Publishing
C- Cor Electronics, Inc.	55,985	
Cencom Cable Income Partners	40,295	Cable TV
Centennial Cellular Corp.	43,186	Cellular Service
Community Cable TV	44,000	Cable Service
Dial Page, Inc.	52,577	
Dial-Net, INC	51,000	Long Distance Service
Discovery Communications, Inc.	52,000	Cable Television Network
Evergreen Media Cop.	53,969	Owns & Operates Radio Stations
Falcon Cable Systems Co., Inc.	50,616	Cable TV Service
General Communications, Inc.	96,500	Long Distance and Private Service
Hector Communications Corp.	54,700	Telephone & Cellular Service
Hickory Tech Corp.	56,635	Local Exchange Carrier
Illinois Consolidated Telephone Co.	59,090	Telephone Co.
Inter Tel, Inc.	78,789	PBX Systems
Interdigital Communications Co.	46,621	Wireless Telephone Equip.
InterMedia Partners	66,000	Pay Television Cable Service
LXE, Inc.	44,401	Radio-linked Data Comm.
Mammoth Cablevision Associates, Inc.	44,000	Cable Television Services
Metrovision, Inc.	79,000	Cable Television Service
MPS Communications Co., Inc.	108,707	Competitive Access Provider
MultiVision Cable TV Corp.	95,000	Cable Television Service
NexTel Communications, Inc.	53,002	
North Pittsburgh Systems, Inc.	41,788	Telephone Co
Outlet Communications, Inc.	46,952	TV Broadcasting Co.

Palmer Communications, Inc.	71,000	Cable & Pay TV Services
Park Communications, Inc.	87,321	TV & Radio Broadcasting
Peoples Telephone Co., Inc.	74,898	Pay Phone Network
Price Communications Corp.	53,956	Operates Radio & TV Stations
Resurgens Communications Group	109,301	
Roseville Telephone Co.	92,280	Local & Long Distance Service
Sacramento Cable Television	64,000	Cable TV Service
Silver King Communications, Inc.	46,197	UHF TV Broadcasting Stations
SJI, Inc.	70,000	Telephone Service
Spectrum Information Technologies	96,254	Wireless Data Technology
Stanford Communications, Inc.	92,821	
Stauffer Communications, Inc.	64,025	Broadcasting & Newspapers
Summit Communications Group	107,771	
TeleDial America, Inc.	70,000	Long Distance Service
Triax Communications Cop.	40,000	Cable TV Services
U.S. Long Distance Corp.	85,100	Long Distance Services
United Video Satellite Group I	67,763	
US Cable Corp.	43,000	Cable & Pay TV Services
USA Mobile Communications Holdings	40,993	
Vanguard Cellular Systems, Inc.	89,553	Cellular Service
WCT Communications, Inc.	63,006	Long Distance Service
Western Reserve Telephone Co.	106,518	Telephone Company
Westwood One, Inc.	99,579	Producer of Radio Programs
Wometco Cable Corp.	55,000	Cable TV Broadcasting Stations